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TAGS: [PREL](#) [ECON](#) [MARR](#) [ENRG](#) [SI](#)
SUBJECT: SLOVENIA: COM AND PM JANSJA MEET PRIOR TO
WASHINGTON VISIT

Classified By: COM Thomas B. Robertson for Reasons 1.4 (b) and (d)

1.(C) Summary. COM had lunch with Prime Minister Janez Jansa June 29 to discuss the Prime Minister's upcoming visit to Washington July 10-12. Jansa was clearly looking forward to his trip and eager to connect with policy makers in Washington. Jansa is focused on Slovenia's upcoming EU Presidency (first half of 2008) and how he will provide leadership on some of the pressing issues outside the EU. He is interested in US views on NATO/EU membership for Ukraine and other European countries that do not presently figure in membership timelines for these organizations. He expressed a pragmatic view of Russia and its approach to Europe, specifically on energy, and he indicated he would like to strengthen economic ties between Slovenia and the U.S., perhaps focusing on small and medium enterprises, where Slovenes have been more successful than is commonly acknowledged. COM and Jansa also discussed the issue of the 8x8 armored fighting vehicles (AFV) and the recent award of a contract to a Finnish company to supply 136 vehicles to the Slovene Army. End Summary.

12. (C) PM Jansa started off the meeting saying that he was looking forward to his meetings in Washington and was particularly interested in US views on enlargement for both NATO and the EU. He said that while some countries were in one organization and not the other, for most European countries not currently on the path to membership, that was not really the best signal to be sending. Jansa thought it was important that the EU countries understand that being members of one organization was not enough. The EU had to continue to support these European countries' eventual membership in the EU.

13. (C) Referring to a speech given by Serbian PM Kostunica this week in Kosovo, Jansa said he was very disappointed by Kostunica, whom he had last met in March in Rome. He said that at that time he told Kostunica he could not outdo the radicals on their own turf and that he should adopt a more pragmatic approach to Kosovo. Unfortunately, by expressing the inviolable connection of Kosovo to Serbia, Jansa said, Kostunica had gone "one sentence too far."

14. (C) The conversation briefly touched on energy and recent overtures by Russia in the Slovenian energy market. Jansa commented that energy was an important issue and one on which there was no common EU policy, a situation that was very favorable for Russia. He agreed Russia had recently been much bolder about pressing its interests in western European energy markets and attributed this to Russia's "full

pockets."

15. (C) Noting that economic reforms were proceeding and that he expected to have several more laws adopted by the end of the year to address tax issues, labor and health law, Jansa offered an interesting perspective on why privatizations seemed to be going at a more measured pace. During the years of communist rule, Slovenes had the strong sense that they owned the means of production in Slovenia (or Yugoslavia). Regardless of whether this was, in fact, reality, there was a genuine perception of ownership among the workers. That attitude persists today along with a not unreasonable belief that a private owner, domestic or foreign, would not feel the obligation to preserve their jobs. This helps drive (or slow-down) the process of privatization.

16. (C) COM raised the pending investment by casino operator Harrah's, suggesting that the GOS needed to be much more forthcoming in its support for the deal if they, in fact, wanted it to happen. Jansa said that he thought things were on track. In order for the GOS to lower the tax rate on gaming proceeds, it needed to make up the lost revenue elsewhere. He said that if all that Harrah's wanted to do was put in a casino, Slovenia could do that on its own. The GOS was much more interested in what else Harrah's could bring to the table in terms of tourist facilities, including more beds (up to 3000), which would also generate the levels of tax revenue needed to offset other losses. The best chance that the GOS had of selling a project of this magnitude was to be able to showcase all the benefits beyond the gaming element of the deal. In fact, those would need to outweigh the gaming aspects to gain solid support of the local population.

17. (C) In terms of future economic and commercial cooperation, Jansa thought that small and medium enterprises provided the best opportunities. He said there were many small, innovative Slovenian companies that were practically unknown in Slovenia, let alone the U.S. One company, Dewesoft, had developed software that was now being used by NASA. Jansa thought there were many more such opportunities for collaboration and investment.

18. (C) One final issue raised by Jansa in response to a letter sent by COM the previous week was the recent awarding of a contract to produce 136 8x8 armored fighting vehicles for the Slovenian Army. Jansa said that given the size of the military community and the fact that people move easily from the ministry to the private sector and back, both competitors had a very good idea of what the other was offering. There was a strong perception in the GOS that the Slovene company, Sistema Teknika (ST), was too self-assured, assumed it had the superior product and would win, and, therefore, did not have to compete hard for the contract. The offer of the Finnish company, Patria, however, was \$50 million cheaper and that was very significant. When asked if there was any chance the tender would be reopened, Jansa said he did not know, and that he would support the decision of his Minister of Defense. COM did point out that it was hard to do the math on the Patria claim that it would create jobs and involve up to 50 Slovene companies in production if the first 64 vehicles, at least, were to be produced in Finland. It was also worth noting that there were reports that the Patria 8x8 could not be loaded on to a C-130 cargo plane without first removing the wheels, thus making it a difficult vehicle to transport out of country. Jansa was interested and said this was new information to him, but he did not make any commitment to act on it.

19. Comment: On the whole, PM Jansa seemed relaxed and ready to go to Washington. He is clearly prepared to make the most of his visit and put Slovenia solidly in the camp of good and reliable allies to the United States. We hope Jansa will also take advantage of his trip to strengthen bilateral commercial and educational ties, which will help fortify an already strong foundation of cooperation between Slovenia and the United States. End Comment.

